

NOV 3 1983

STEVAS,
CLERK

No. 83-695

In the
Supreme Court of the United States

OCTOBER TERM, 1983

SMITH INTERNATIONAL, INC.,

Petitioner,

vs.

HUGHES TOOL COMPANY,

Respondent.

**BRIEF IN OPPOSITION ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

EDWARD A. HAIGHT
BRITTON A. DAVIS
ROLF O. STADHEIM
DORSEY L. BAKER
55 East Monroe Street
Suite 3614
Chicago, Illinois 60603
(312) 263-2353

DAVID BRICE TOY
626 Wilshire Boulevard
Suite 400
Los Angeles, California
(213) 629-0101

*Attorneys for Respondent,
Hughes Tool Company*

Pursuant to Rule 28.1 of this Court, Respondent Hughes Tool Company, states that it has no parent companies, that it has the following affiliates (other than wholly owned subsidiaries): Hughes Tool Company, C.A., Venezuela; Hughes WKM do Brasil Equipamentos Industriais LTDA, Brazil; Alea Company, Limited, Nigeria; APSCO (Asia) Pte. Limited, Singapore; Associated Petroleum Supply (Hong Kong) Limited; Brown-Foraid Oil Tools U.A.E., Ltd. Bermuda; Brown Oil Tools de France S.A.R.L., France; Sebip-Servicios Brasilerios Especializados en Petroleo Ltda.; Dyno-Hughes Drilling Services A/S; Edeco-Centrallift Services GmbH; and Edeco-Centrallift Services Ltd.

TABLE OF CONTENTS

	PAGE
Statement Pursuant to Rule 28.1 of the United States Supreme Court	i
PRELIMINARY STATEMENT	1
CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED	3
STATEMENT OF THE CASE	3
ARGUMENT	6
1. This Court Has Settled The Question Of Whether An Adjudication Of Infringement, Validity And Enforceability Alone Support Injunctive Relief	6
2. The Petition Does Not Present Any Cognizable Reason For Granting The Writ	8
CONCLUSION	9

Table of Authorities

Cases

	PAGE
<i>Continental Bag Co. v. Eastern Paper Bag Co.</i> , 210 U.S. 405 (1908)	6
<i>Dawson Chemical Co. v. Rohm & Haas Co.</i> , 448 U.S. 176 (1980)	6, 8
<i>Grant v. Raymond</i> , 31 U.S. [6 Pet.] 218 (1832)	6
<i>Smith International, Inc. v. Hughes Tool Co.</i> , 664 F.2d 1373 (9 Cir. 1982), <i>cert. den.</i> 456 U.S. 976, 102 S.Ct. 2242 (1982)	4
<i>Zenith Radio Corp. v. Hazeltine Research</i> , 395 U.S. 100 (1969)	6, 7

Statutes

United States Code, Title 35, Section 154	3
---	---

Other Authorities

Article 1, Section 8, United States Constitution	3
Rule 16, Federal Rules of Civil Procedure	4
Rule 17, United States Supreme Court	9

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1983

No. 83-695

SMITH INTERNATIONAL, INC.,

Petitioner,

vs.

HUGHES TOOL COMPANY,

Respondent.

**BRIEF IN OPPOSITION ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

Preliminary Statement

Petitioner's attempt to interest the Court in this case is centered on misstatements with respect to the decision of the Court of Appeals. The misstatements are reflected in the proffered "Question Presented."

In its first statement of the "question," Smith suggests that the Court of Appeals did not find that there was a *showing* of irreparable harm. On the contrary, the Court found that there was "a strong showing of validity and infringement" and that such circumstance was, in itself, a showing of irreparable harm (Opinion, p.16).

In its final attempt to phrase the "question presented," Smith represents that the District Court had denied the preliminary injunction "for want of a showing of immediate irreparable harm." The District Court did no such thing. The basis for the District Court's denial was clear — and was stated in a single sentence in the order from which the appeal was taken. The District Court held:

"It is necessary to determine the *extent* of plaintiff's infringement in a judicial proceeding — either by trial or by motion for summary judgment — before an injunction can issue" [App. 415].

Thus, the District Court labored under the misapprehension that injunctive relief in a patent case can only be awarded after the amounts of the infringing devices sold or manufactured had been tabulated. It was this reasoning of the District Court which the Court of Appeals found to be faulty (see Opinion, p.15). Smith's Petition ignores this point entirely.

Hughes Tool opposes the petition of Smith International on two grounds:

1. This Court has long since settled the question presented by holding that upon an adjudication of patent validity, enforceability and infringement, injunctive relief against future infringement is not only proper, but mandated by public policy and the patent laws.

2. The Petition does not present any reason for granting the writ of certiorari cognizable under Rule 17 of this Court.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article 1, Section 8 of the Constitution in pertinent part provides:

“The Congress shall have power . . . To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

Section 154 of Title 35, U.S.C. provides:

“Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of issue fees as provided for in this title, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.”

STATEMENT OF THE CASE

When Smith started this suit in 1972, it admitted its infringement of the Hughes patents and that its sole defense to the patents lay in its attack on their validity and enforceability. In subsequent answers to Hughes' counterclaims for infringement of the '928 and '195 patents, Smith made binding judicial admissions that it had infringed and was continuing to infringe the patents “by making, selling and using rock bits, including rock bits identified as Plaintiff's “F” series solid journal bearing bits embodying each of the patented inventions,” and that it would continue to do so “unless enjoined by this Court” (App. 003, 006).

Those admissions were accepted by the trial court and were incorporated into stipulated pre-trial conference orders which governed the disposition of the case in accordance with Rule 16, F.R.C.P. Following the trial in 1977, and the entry of a judgment in 1979, those orders became merged in the judgment, and the law of the case. The conclusion of infringement embodied in those orders was never modified or challenged by Smith (App. 022, 029).

Not only did Smith admit to its infringement, at the trial its officers and engineering personnel admitted that the infringement came about because of direct copying of the patented features in the Hughes bits. The same Smith witnesses conceded that they had known of the '923 and '195 patents at the time, and were aware of the possibility of infringing those patents as a result of their acts of copying (App. 158-162). Not surprisingly, the Court of Appeals found that:

"... it is clearly established that Smith knew of the Hughes patents when it designed the "F" series bits and took a calculated risk that it might infringe those patents" (Opinion, p.18).

The adjudication of infringement in the pre-trial conference orders and judgment of the trial court were not appealed to the Court of Appeals for the Ninth Circuit in 1980. Instead, Smith continued to mount its attack on the patents solely on the basis of their alleged invalidity and unenforceability. But, Smith lost on its "calculated risk." The opinion of the Ninth Circuit holding the patents to be valid and enforceable is reported as *Smith International, Inc. v. Hughes Tool Co.*, 664 F.2d 1373 (9 Cir. 1982), cert. den. 456 U.S. 976, 102 S.Ct. 2242 (1982).

Hence, each of the issues of infringement, validity and enforceability stand as finally adjudicated by the Ninth Circuit. The Court of Appeals for the Federal Circuit has so held (Opinion, pp.12-15).

Smith's Petition to this Court raises no challenge to the holding of the Court of Appeals that infringement, validity and enforceability have been finally adjudicated in this litigation.

The background and statement of the case recited in the Court of Appeals' Opinion more than adequately detail the pertinent circumstances of this case. Since Smith's Petition does not contest that recitation, further elaboration in this brief is unnecessary.

ARGUMENT

1. This Court Has Settled The Question Of Whether An Adjudication Of Infringement, Validity And Enforceability Alone Support Injunctive Relief.

When stripped of its gloss, Smith's "question presented" comes down to this: Is a binding adjudication of patent infringement, validity and enforceability — without more — sufficient to support the issuance of an injunction which will foreclose the infringer from continuation of its tortious acts?

This Court has long ago settled this question. Indeed, the conclusion has been said to have found its earliest roots in a decision by Chief Justice John Marshall in *Grant v. Raymond*, 31 U.S. [6 Pet.] 218, 242 (1832) where it was decided that the essential right an inventor receives from a patent is the right to exclude others from its use for the term prescribed by the Patent Statute:

"And for his exclusive enjoyment of it during that time the public faith is forever pledged."

Seventy years later, in *Continental Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 422-430 (1908), this Court had occasion to review a long history of its holding since Mr. Chief Justice Marshall's pronouncements, and to consider — and settle — the question here presented. The rationale of *Continental Bag* has withstood time. It was affirmed more recently in *Zenith Radio Corp. v. Hazeltine Research*, 395 U.S. 100, 135 (1969), and, again, in *Dawson Chemical Co. v. Rohm & Haas*, 448 U.S. 176, 215 (1980).

In *Continental Bag*, the issue was whether an adjudicated infringer of an adjudicated valid patent should be permitted to escape the consequences of injunctive relief, and allowed to respond at law in damages only. The infringer's argument was predicated upon the fact that the patent owner was not using his invention and, hence, the equitable principle, i.e., irreparable harm to the patent owner, could not be said to exist. The infringer failed in his argument. To the suggestion that the absence of immediate competitive harm rendered inappropriate the exclusivity accorded by injunctive relief, this Court responded:

"... we answer that such exclusion may be said to have been of the very essence of the right conferred by the patent." (210 U.S. at 429)

In *Continental Bag*, this Court went on to hold that where, as here, there has been an adjudication of patent validity and infringement, no additional circumstance is to be considered on the equitable principle of irreparable harm. Because of the nature of the patent right, infringement thereof is irreparable harm. This Court said (210 U.S. at 430):

"From the character of the right of the patentee we may judge of his remedies. It hardly needs to be pointed out that the right can only retain its attribute of exclusiveness by a prevention of its violation. Anything but prevention takes away the privilege which the law confers upon the patentee. . . ."

In *Zenith Corp. v. Hazeltine Research*, 395 U.S. 100, 135 (1969), this Court had occasion to reaffirm its conclusion in *Continental Bag*:

"A patentee has the exclusive right to manufacture, use and sell his invention. . . . The heart of his legal monopoly is the right to invoke the State's power to prevent others from utilizing his discovery without his consent." [citing *Continental Bag* and other cases]

Most recently, in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 197, 215 (1980), this Court had occasion to note that the "traditional remedy against . . . infringement is the injunction." Citing its earlier decisions in *Continental Bag* and *Zenith*, the Court said:

" . . . petitioners' argument runs contrary to the long-settled view that the essence of a patent grant is the right to exclude others from profiting by the patented invention."

In the present case, the Court of Appeals did no more than to apply the law long ago settled by this Court. Whether irreparable harm is said to be *shown* by an adjudication of patent validity and infringement, as this Court held in *Continental Bag*, or is *presumed*, as the Court below stated, is of no material moment. The result is identical. The entry of an injunction prevents the infringer from continuing his tortious acts.

Here, the very vigor of Smith's resistance to the entry of an injunction, is proof that one is needed.

2. The Petition Does Not Present Any Cognizable Reason For Granting The Writ.

Smith's Petition virtually ignores the considerations governing review on certiorari explicitly set forth in this Court's Rule 17. None are met by the Petition.

In its "Reasons For Granting The Writ", Smith speaks of "two centuries of unbroken precedent" — apparently

a reference to the recent bicentennial of this Country. Nothing more is said to impart any substance to this rather grandiose claim.

The Petition does cite two decisions of this Court. But neither were patent cases; neither involved the question here said to be presented. And, the Petition ignores the directly applicable *Continental Bag* and *Zenith* precedents which were cited by the Court below in support of its conclusion.

No reason cognizable under Rule 17 for granting the writ exists.

CONCLUSION

The Petition should be denied.

Respectfully submitted,

EDWARD A. HAIGHT
BRITTON A. DAVIS
ROLF O. STADHEIM
DORSEY L. BAKER
55 East Monroe Street
Suite 3614
Chicago, Illinois 60603
(312) 263-2353

DAVID BRICE TOY
626 Wilshire Boulevard
Suite 400
Los Angeles, California 90017
(213) 629-0101

*Attorneys for Respondent,
Hughes Tool Company*